

IRS Fact Sheet

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Health Coverage Exemptions: What Are They, How to Obtain Them, and How to Claim Them

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The Internal Revenue Service reminds taxpayers that they will see some new things on their 2014 tax return involving the new health care law, also known as the Affordable Care Act or ACA. Under the ACA [individual shared responsibility provision](#), taxpayers are required to have [qualifying health care coverage](#) if they can afford it in each month or make a payment, called an [individual shared responsibility payment](#), when they file their tax returns. Some taxpayers qualify for an [exemption](#) from this requirement for a variety of reasons: because affordable coverage was not available, they had a coverage gap of less than three calendar months, or they have low income and their state did not expand Medicaid, among other exemptions. In addition, some taxpayers will have coverage or qualify an exemption for some months and owe a payment for other months.

If you were without qualifying health coverage for a month in 2014, you should determine if you qualify for a health coverage exemption. If you qualify for an exemption you will not have to make the individual shared responsibility payment for that month. An [exemption tool](#) is available at HealthCare.gov to help you determine if you qualify.

While you can claim most exemptions on your tax return, some exemptions require you to apply for the exemption through the [Health Insurance Marketplace](#). No matter where an exemption is obtained, it will be reported or claimed on Form 8965, *Health Coverage Exemptions*.

The IRS reminds taxpayers and tax professionals that using tax preparation software is the best and simplest way to file a complete and accurate tax return as it guides individuals and tax preparers through the process and does all the math. There are a variety of electronic [filing options](#), including free [volunteer assistance](#), [IRS Free File for taxpayers who qualify](#), [commercial software](#), and [professional assistance](#).

Health Coverage Exemptions

The following is a partial list of available exemptions:

- **Unaffordable coverage** – Your available health care coverage is considered unaffordable. Coverage is considered unaffordable if the lowest amount you would have paid for available employer-sponsored coverage or for coverage through the Marketplace is more than eight percent of your household income for the year.
Short coverage gap – You went without coverage for less than three consecutive months during the year.
- **General hardship** – You experienced circumstances that prevented you from obtaining coverage under a qualified health plan, including, but not limited to, homelessness, eviction, foreclosure, domestic violence, death of a close family member, and unpaid medical bills.
- **Income below the return filing threshold** – Your household income or gross income is below your minimum threshold for filing a tax return.
- **Certain noncitizens** – Individuals who are not U.S. citizens or nationals and are not lawfully present in the United States are exempt from the individual shared responsibility provision. For this purpose, an immigrant with Deferred Action for Childhood Arrivals (DACA) status is considered not lawfully

present and therefore is eligible for this exemption. An individual may qualify for this exemption even if he or she has a social security number (SSN).

- **Resident of a state that did not expand Medicaid** – Your household income is below 138 percent of the federal poverty line for your family size and at any time in 2014 you reside in a state that does not participate in Medicaid expansion under the Affordable Care Act. Or you are determined ineligible for Medicaid solely because the State in which you live does not participate in Medicaid expansion under the Affordable Care Act.
- **Members of Indian tribes** – You were a member of a federally-recognized Indian tribe, including an Alaska Native Claims Settlement Act Corporation Shareholder, or were otherwise eligible for services through an Indian health care provider or the Indian Health Service.

For the complete list of exemptions and information on how to report or claim them, see our [chart](#) on IRS.gov/aca.

How to obtain a coverage exemption

Some health coverage exemptions can be obtained only by applying for the exemption through the Marketplace while some exemptions are claimed only on a tax return. Other exemptions can be obtained either from the Marketplace or claimed on a return.

If your gross income is below your minimum threshold for filing a federal income tax return, you are exempt from the individual shared responsibility provision and are not required to file a federal income tax return solely to claim the exemption. However, if you file a return anyway – for example, to claim a refund – you can claim a coverage exemption with your return.

You must report or claim health coverage exemptions on [Form 8965](#), *Health Coverage Exemptions*, and attach it to your Form 1040, Form 1040A or Form 1040EZ. These forms can be filed electronically.

How to report health care coverage exemptions obtained from the Marketplace

An application for a health coverage exemption that is granted only by the Marketplace should be submitted to the Marketplace as soon as possible so you can properly report the exemption on your federal income tax return.

If you are granted an exemption from the Marketplace you will receive an exemption certificate number (ECN). The exemption is reported by entering your ECN in Part I of Form 8965, *Health Coverage Exemptions*, in column C. If the Marketplace hasn't processed your exemption application before you file your tax return, complete Part I of Form 8965 and enter "pending" in Column C.

You do not need an ECN from the Marketplace for an exemption that you claim on your tax return.

How to claim health care coverage exemptions with the IRS

If your gross income or household income is below your filing threshold and you file a tax return, use Part II of Form 8965, *Health Coverage Exemptions*, to claim a health coverage exemption.

All other health coverage exemptions are claimed in Part III of Form 8965. Use a separate line for each individual and exemption type claimed on your return.

For a complete list of exemptions and information on whether taxpayers obtain them from the IRS or the Marketplace, see our [chart](#) on IRS.gov/aca. For additional information about how to get exemptions that may be granted by the Marketplace, visit [HealthCare.gov](#).

Related Items:

- [Publication 5187](#), Health Care Law: What's New for Individuals & Families
- [Form 8965](#), Health Coverage Exemptions

- [Instructions for Form 8965](#), Health Coverage Exemptions